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Borders in Europe and Central Asia

'Borders'

James Hughes and Ben Slay



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While deep transformations of economic and political institutions have occurred in many regions, they have usually occurred within the framework of pre-existing nation states. Institutions were recast, but borders were not. By contrast, the post-communist transitions of Europe and Central Asia have come with profound geographic and spatial changes. For most countries in this region, everything changed in the early 1990s—including states and state borders.

The subsequent two decades have underscored the continuing importance of the spatial and geographic dimensions of development, and of the region's new borders. For countries that joined the European Union, EU accession redefined the spatial dimensions of development and statehood. Border posts (with other EU countries) that were constructed upon the acquisition of statehood in the early 1990s were dismantled with accession to the EU's Schengen zone. Large shares of post-accession EU funding take the form of regional development monies (cohesion funding) which reflect a spatial, rather than sectoral, approach to development. Ethnic communities divided by Europe's new borders have used Euro-regions and other cross-border cooperation modalities to address the challenges created by these borders. Spatial issues likewise remain at the heart of many of the development challenges facing other European and Central Asian countries, be these border management, frozen conflicts, trade integration, or management of trans-boundary ecosystems.

This issue of *Development and Transition* is therefore devoted to questions of 'borders', and the geographic and spatial dimensions of the region's development challenges. Philip Peirce opens the issue with an overview of the accomplishments, challenges, and lessons learned from the large portfolio of EU border management projects in the former Soviet Union that are implemented by UNDP. Neil Melvin follows with a critical assessment of the state of borders in Central Asia's Fergana Valley. Talaibek Koichumanov provides an analysis of what the Eurasian Economic Community's recently introduced customs union could mean for Kyrgyzstan. The challenges of remediating cross-border environmental hot spots in the Western Balkans, and lessons learned from UNDP programming, are described by Snezana Dragojevic. Jens Bastian follows with an analysis of EU-funded cross-border cooperation programmes in the Western Balkans, while Robert Leonardi concludes the issue by exploring the implications of the EU's cohesion policies for its southern and eastern neighbours.

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Border management, the EU, and UNDP

Philip Peirce



Border management has become a significant line of external assistance for the European Union, and for cooperation between member states, the European Commission, and the UN, particularly in the former Soviet Union (FSU). The funding comes from European Commission budget lines devoted to implementation of regional political strategies, such as the European Neighbourhood Programme and the Central Asia Strategy. Border management has also come to represent a major focus of UNDP multi-country programming in this region. Including related drug action programmes, since 2002 UNDP has initiated work in Ukraine and the Republic of Moldova, Belarus, Georgia, Azerbaijan and Armenia, Turkmenistan, Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan. Broadly speaking, UNDP's work to date has been understood as successful.¹ Among other things, UNDP has implemented nearly 150 million Euros' worth of EU border management programming during the past decade.

There is no question that the EU wishes to export its 'soft power' via these border management programmes. But what exactly does this entail? And what dangers and opportunities are presented for the UN's development work by this cooperation?

For some EU member states, these programmes began as an important component of a broader agenda to develop European policy and capacity on security. Border management was (and still is) seen as an acceptable vehicle for common action against mutual threats: drug trafficking, movement of Islamic extremists, etc. However, some EU Member States and Commission officials remain opposed to UNDP implementation of these programmes, due in part to concerns about trying to advance that agenda under a UN rather than directly European umbrella. The different management arrangements

Border management is not only about security but also about freer trade and transit.

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¹ See, for example, George Gavriliis, "Beyond the Border Management Programme for Central Asia", EU Central Asia Monitoring, no. 11, November 2009.



Border guards stamping documents in Osh, Kyrgyzstan.

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for the EUBAM, SCIBM and BOMCA Programmes (see box on page 5) therefore represent various Commission attempts to satisfy the EU Member States and keep UNDP's role to that of 'administrative support platform' for the application of 'visibly' European expertise.

Many in the Commission recognize that only the UN has the operational capacity on the ground to deliver border management assistance on a multi-country basis. However, others see utilizing development assistance to enhance security as a somewhat quixotic enterprise: Commission rules of aid assistance do not allow the transfer of key equipment or expertise; drugs and militants flow like water, taking the easiest route, so that reinforcing certain border areas merely displaces (rather than eliminates) activities of concern; it is next to impossible to establish objectively verifiable indicators

in regard to countering security threats; and the whole venture may be undermined by corruption within the border services, which can only be tackled through direct budget support to pay salaries, as part of a broader developmental approach to public administration reform.

Likewise, engaging UNDP to the projection of EU soft power in the FSU risks jeopardizing the neutrality and impartiality of the UN system in the eyes of other stakeholders. Russian concerns in regard to border security in its 'near abroad' are *inter alia* expressed operationally through its leadership of the Council of Border Guard Commanders of the countries belonging to the Commonwealth of Independent States. With a Secretariat based in the Lubyanka in Moscow (to which all CIS countries have attached liaison officers), the Council meets bi-annually. It has a mandate to coordinate joint efforts of Border Guards in relation to external CIS borders, as well as the reinforcement of internal border cooperation. Specific areas of work include harmonization of national legislation on border issues, mutual exchange of information, personnel training, and military/technical policy.

Suggestions for the future

In spring 2010, the Council of CIS Border Guard Commanders signed a memorandum of understanding with FRONTEX (the EU's Border Agency), but the technical and institutional details of cooperation with the UNDP-implemented EU aid programmes have yet to be resolved. Significant discrepancies between the regulatory and technical models for border management being offered to CIS countries therefore remain. Most CIS countries seek to strike a balance between the 'near abroad' and the 'new neighbourhood': in autumn 2010, in the context of the SCIBM project, Armenia agreed to a European integrated border management strategy only weeks after extending the presence of Russian border forces within the country for a further 39 years.

But if the dangers here are obvious, so also are the opportunities—if the EU and UNDP can agree on a different, more collaborative agenda for the export of European border management to the CIS countries. The European model of border management has twin objectives: increased security, plus improved trade and transit facilitation. These objectives are seen as mutually reinforcing: stability and security attract trade and foreign investment; freer movement of goods and people enhances stability and security.

During the Andijan events of 2005 in Uzbekistan, the local community at Karasuu, a town in the Fergana Valley divided between Kyrgyzstan and Uzbekistan, opened a border crossing spontaneously, to support continued visits of relatives and to maintain what had previously been one of the largest cross-border markets in Central Asia. The BOMCA Programme acted immediately to secure agreement from the governments to keep the crossing open, with offers to provide the necessary means to ensure security. Within weeks up to 40,000 border crossings a day were being made, including multiple trips by small traders.

Apart from the economic support this provided to households in one of Central Asia's poorer regions (e.g., providing residents of Kyrgyzstan with fresh fruit and vegetables in

EU-UNDP Border Management Programming in Europe and Central Asia

Border management is a key focus of development work, and partnerships between UN agencies, the European Union, and programme countries, in the developing and transition countries of Europe and Central Asia. In the past decade, EU-funded border management projects implemented by UNDP have delivered more than €140 million. Specific projects include the following:

BOMCA: The Border Management for Central Asia programme (http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/border-management-fight-against-drugs/bomca_en.htm) promotes the gradual adoption of integrated border management methods in the region by enhancing border security and facilitating legal trade and transit. The introduction of European integrated border management methodologies, based *inter alia* on the experience of the Schengen process (combining firm but modern 'external' border management with liberalized 'internal' border movements) is an important emphasis. Activities include policy advice on legal and institutional reforms, procurement of border infrastructure, and strengthening national border management capacities. BOMCA, which has delivered some €26 million in programming since its inception, is now moving into its eighth phase (with an €8 million budget). Implementation of BOMCA 8 will rely on a partnership between the European Commission, EU member states, UNDP, the Vienna-based International Centre for Migration Policy Development, and other development partners. UNDP has also helped implement phases of the EU's Central Asia Drug Action Programme, budgeted at €14 million.

Border Management in Badakhshan: Whereas BOMCA has focused primarily on internal borders within Central Asia, the European Commission is now adopting an approach similar to BOMCA's vis-à-vis the Tajikistan – Afghanistan border. The focus is on border regions in eastern Tajikistan's mountainous Badakhshan province. UNDP has helped implement nearly €4 million under this programme.

EUBAM: The EU Border Assistance Mission to Moldova and Ukraine (<http://www.eubam.org/>) supports the two countries in better managing the 1,222 kilometre Ukrainian – Moldovan border, in particular focusing on the Transnistrian region segment. The mission trains and supports border guards and customs services in their efforts to facilitate the legal, efficient, cross-border movement of goods and persons, and contributes to the international community's efforts to peacefully resolve the Transnistrian conflict. On-the-job training and advice to Moldovan and Ukrainian officials provided by more than 100 customs and border guard experts from 22 EU member states have proved to be effective capacity-building tools. UNDP has since 2005 been implementing EUBAM, which employs over 200 staff. Current commitments under this €55 million programme run until 2011.

BOMMOLUK: EUBAM has also coordinated the Improvement of Border Controls at the Moldova-Ukraine Border (<http://www.eubam.org/index.php?action=group&group=26&sid=%3C>), a €9 million programme which is likewise UNDP implemented and co-funded. The project has focused on equipment procurement, risk analysis, and training for officers at joint border crossing points. The EU has funded technical assistance through direct procurement of goods and services by the EU delegations, and through direct budget support (in Ukraine). These initiatives are designated 'EUBAM flanking measures'.

SCIBM: The South Caucasus Integrated Border Management programme (http://www.icmpd.org/906.html?&no_cache=1&tx_icmpd_pi1%5Barticle%5D=1467&tx_icmpd_pi1%5Bpage%5D=1469), has since 2009 been supporting the implementation of integrated border management strategies by the governments of Armenia, Azerbaijan, and Georgia. Whereas overall contractual responsibility vis-à-vis the European Commission rests with UNDP, implementation of project components is delegated to border management agencies in the Czech Republic, Estonia, France, Latvia, Lithuania, and Poland, as well as to the Vienna-based International Centre for Migration Policy Development (ICMPD).

BOMBEL (Enhancing Border Management in Belarus—<http://un.by/en/undp/db/00044032.html>), **BOMUK** (Enhancing Border Management in Ukraine—<http://www.devex.com/en/projects/61811>), and **EBCMP** (Enhancing Border Control Management in Moldova—http://www.undp.md/border/ENG/despre_proiect.html) in Moldova have followed essentially the same pattern as BOMCA, offering a package of capacity building measures for each country's state border guard service, including training, creating European-standard accommodation centres for irregular migrants, upgrading dog training centres, and introducing sophisticated technology, such as the biometric identification of travellers. Some €20 million in has been delivered under these programmes.

SCAD: The South Caucasus Anti-Drug Programme (<http://www.scadprogramme.org/>) combines integrated border management to prevent narcotics trafficking (supply-side interdiction) with support for national efforts to prevent drug abuse and care for drug addicts (demand-side management). UNDP has helped implement nearly €6 million under this programme.

BUMAD: Prevention of Drug Abuse and Fighting Drug Trafficking in Belarus, Ukraine, and Moldova (<http://bumad.un.kiev.ua/index.php>) takes a similar approach to drug abuse and trafficking in the Western CIS countries. UNDP has helped implement €7 million under the first three phases of this programme.

Customs Modernization in Azerbaijan: UNDP has since 1999 been helping the State Customs Committee to automate its work via the introduction of modern ICT instruments, as well as simplify border and customs regulation (see <http://europeandcis.undp.org/home/show/3DC84D4F-F203-1EE9-B9D16C6707F6DB16>). EC funding of €800,000 has supported this multi-million dollar initiative.

Vitalie Vremis (UNDP Moldova) and Zuzana Aschenbrennerova (UNDP Regional Centre, Slovakia)

the winter; providing residents of Uzbekistan with access to manufactured goods from China) BOMCA helped defuse a direct challenge to state power at a critical moment and created a safety valve in the explosive environment of the Fergana. In this way, border management programmes can allow the EU and UN(DP) to express a voice on behalf of the most vulnerable households and help governments to strike critical balances between security and development.

Border areas are often comprised of large ethnic minorities (linked to neighbouring countries), communities that are marginalized in many respects. Beyond the Fergana Valley, frozen conflicts in the FSU countries—Transnistria, Nagorno-Karabakh, Abkhazia, South Ossetia—are all located in border areas. While the full resolution of these conflicts is not in prospect, progress can be made by allowing local populations to cross borders with ID cards rather than passports. In addition to being familiar to many FSU countries from Soviet times, such systems can also be drawn from the experience of European integration. Modern European integrated border management methodologies can provide the technical means and cross-border procedures required.

Separating transit of local populations from international transit and cargo trade at border crossing points in the FSU countries could bring significant reductions in journey times and delays experienced at borders. Reconfiguring border crossing point infrastructure, providing modern equipment to automate processes, and introducing integrated border management practices such as joint control by border agencies, could further reduce travel times and delays.

Prosperity in Europe was built on the incremental removal of such barriers to trade and transit. The border management programmes could therefore do more to mobilize civil society and private enterprise—road hauliers, freight forwarders—to promote the free trade agreements signed between EU and FSU countries, as well as those trade agreements concluded among FSU countries (e.g., the EurasEC customs union). Freer trade and transit, democracy building and security can be advanced together.

Without abandoning its multi-country programming approach, the EU and UNDP may wish to consider targeting assistance more discriminately within these border management programmes. This might also help define clearer exit strategies for programming. In most FSU countries, the key border agency remains the Border Guards—a military force within each national security service. In the poorer FSU countries, transition to European border management standards will ultimately require EU direct budget support for border guard salaries. A prerequisite for this should be conversion from a largely conscript-based military force to professional civilian border police serving as an arm of the Ministry of Interior, accountable to parliaments, not presidencies.

People hate borders—uncertainties over laws and procedures, confrontation with state power, men with uniforms and guns. The Schengen arrangements therefore represent both the EU's true soft power and a culturally iconic aspiration for many citizens in FSU countries. The EU-UNDP border management programmes can export to the CIS many of the principles and practices behind the Schengen arrangements, with enormous development potential: facilitating movements of local populations to reduce social tensions and resolve frozen conflicts; supporting trade as a smart and quick way to alleviate poverty; building democratic governance through support for civil society and private enterprise; and promoting security sector reform.

The EU-UNDP border management programmes flow from a powerful concept. They are well-funded and usually well-implemented. They should be better articulated to reflect a clearer and more developmental agenda, acceptable to all stakeholders in the FSU countries.

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Borders, security and instability in the Fergana Valley

Neil Melvin



The Fergana valley, divided between three countries—Kyrgyzstan, Uzbekistan and Tajikistan—is home to over 10.5 million people. International aid agencies calculate that up to 60 percent of the combined populations of all three countries are poor; living on or below \$500 per year. The population is also highly diverse with significant communities of Uzbeks, Tajiks, Kyrgyz, and Russians, as well as numerous smaller groups.

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Since independence, there has been considerable international concern that the region could become a centre for major conflict. In the final years of the Soviet Union ethnic violence broke out in southern Kyrgyzstan, and tens of thousands of Meskhetians fled Uzbekistan. Over the last decade violent Islamist movements and powerful narco-criminal groups have emerged in the region, often using Afghanistan as a base for their activities. In the mid-1990s, a civil war in Tajikistan led to the death of over 50,000 persons. Many analysts point to the weakness of the region's states as a source of instability. The issue of borders in the Fergana Valley thus needs to be understood within the context of an interrelated and complex set of factors that together have the potential for promoting significant regional instability.

Since the early 1990s, dozens of persons have been killed by mines in the Fergana Valley's border areas. Significant sections of the border between the three countries remain undemarcated, causing confusion and creating tensions. Elsewhere, agreement on borders has been the prelude to the introduction of tight border restrictions.

Building Borders in the Fergana Valley

The roots of contemporary border challenges lie in the incorporation of the Fergana Valley into the Russian Empire in the nineteenth century. This began a process of remaking the region's political, economic and social space. The porous and fluid borders of the principalities that existed in the region prior to the Russian conquest were steadily replaced by a new set of administrative divisions defined by the colonial regime.

During the early Soviet period, this process was greatly accelerated with the launch of a comprehensive delimitation of the Fergana Valley—as part of the broader process underway across Soviet Central Asia and, indeed, the USSR. The foundations for the Soviet administrative system in the region became the three Union Republics—the Kyrgyz, Uzbek, and Tajik Soviet Socialist Republics—putatively created on the basis of 'titular' nations. A boundary commission that operated from 1924-27, and then continued to work from the mid-1950s until the end of the Soviet Union, established the republican borders.

In fact, ethnic and national identities in the region were only weakly developed at that time, and had to be reinforced by nearly 70 years of Soviet nation-building programmes. Just as important was the reality of complex ethnic mixing, economic interdependence, and social networks that straddled the newly created republican boundaries. The Soviet-era division of the region thus often ran contrary to the society on the ground, established networks of commerce, and historical forms of rule.

While the administrative divisions did cause frictions during the Soviet period, these boundaries did not create a major impediment to long-established social and economic patterns. The Fergana Valley was largely open within the USSR; internal 'borders' had little practical significance. Indeed, the Soviet authorities continued to build regional infrastructure across republican borders and to shift territory between the three republics with little concern about possible consequences.

The collapse of the Soviet Union and the emergence of independent states in Central Asia almost overnight transformed administrative divisions into international borders. A notable development was the sudden creation of independent countries with large ethnic minorities, who in most cases live along borders contiguous with their proto-ethnic homeland.

Particularly important are the Uzbek minorities found in substantial communities in southern Kyrgyzstan and northern Tajikistan, and outside the Fergana Valley in southern Kazakhstan and northern Turkmenistan. At the same time, nearly a million ethnic Kazakhs are citizens of Uzbekistan, as well as many millions of ethnic Tajiks (notably in Bukhara and Samarkand). There are important concentrations of ethnic Kyrgyz in the portions of the Fergana Valley belonging to Uzbekistan. This pattern has raised concerns about the possible emergence of irredentist movements across the region.

The ethnic dimension is, however, only one aspect of the challenge created by the introduction of international borders in the Fergana Valley. Despite the Soviet project to promote three distinct national republics, the historical legacy in the region continues to be one of a patchwork quilt of interdependence created by irrigation, road, energy and rail networks. In some parts, borders cut through villages and backyards. There are important land leasing agreements between governments and a series of exclaves in the region, including individual villages totally surrounded by the territory of another country.

In the early 1990s, little was done to formalize the nominally international borders, although the introduction of passport and visa requirements already began to impose a new situation on the region. As the civil war in Tajikistan escalated however, Uzbekistan initiated a series of measures to secure its border, including laying mines and militarizing the border region—and its exclaves.

In the late 1990s, states in the region began to construct stronger border regimes—in part in response to the violent incursion of Islamist militants from Afghanistan in 1999 and 2000. Along the Uzbekistan-Kyrgyzstan border fences were built, bridges destroyed and roads dug up to create a defined number of crossing points. Borders became increasingly militarized. A bilateral boundary commission was set up and began the difficult task of demarcating borders.

Border tensions and conflict

The construction of highly regulated and militarized borders is seen in the capitals as reflecting the priorities of state building, national security and combating cross-border criminal activity, notably drug smuggling. The local view has been rather different: here, borders are often seen in a negative light, as creating innumerable everyday difficulties for the populations that live along the border. Frequently voiced concerns include:

- Excessive restrictions on cross-border local trade, especially in agricultural produce.
- Corruption of the border authorities.
- The break up of family relations; many families have relatives on opposite sides of the border.

- The difficulties borders impose for travel within one country, since many roads were built crossing today's borders—sometimes many times.
- Civil society and human rights organizations argue that the closing of borders is instrumental to political repression.
- Cross-border disputes over water and land.
- Fears over personal safety due to the militarization of borders and the loss of livestock that wander into border areas.

Regular incidents of violence reflect local frustrations over these issues. There is also a close correlation between frictions along the borders and state-to-state tensions. The friction periodically erupts into local violence among Kyrgyz, Tajiks and Uzbeks—at the local level—and has led to dangerous confrontations with border officials. The most conflict-ridden border regions are those found in Batken Oblast, Kyrgyzstan; Fergana Oblast, Uzbekistan; and Sughd Oblast, Tajikistan. Here conflicts occur on a regular basis over cross-border water and land issues. But tensions are present all along the international borders in the Fergana Valley.

For example: in 2009, tensions rapidly escalated along the Kyrgyzstan-Uzbekistan border following what Uzbekistan described as violent Islamic militant attacks in late May inside the country. According to Kyrgyz media reports, the Uzbekistan authorities responded by building three-meter-wide trenches in some border areas. Kyrgyzstan's Border Protection Service issued a formal protest on June 9. Analysts can trace Uzbek-Kyrgyz tensions back to the previous winter, when Bishkek pushed forward with plans to build the Kambarata complex of hydropower stations, thus potentially threatening to limit water supplies for Uzbekistan's thirsty cotton sector.

The tightening of the border had an immediate effect on border communities. The Osh and Kara-Suu bazaars, two of the largest markets in the Fergana Valley, were particularly hard-hit by the closure of border checkpoints. Traders at Kara-Suu said that the continued Uzbek border closure could potentially lead to the closure of the bazaar (most of whose customers came from Uzbekistan). After the closure of borders, sales at the bazaar dropped by more than 50 percent. A number of analysts have suggested that poverty and anger against Uzbekistan over the border issue contributed to the violence that left over 400 dead and created 400,000 displaced persons in southern Kyrgyzstan in the spring of 2010. In another incident, tensions between Tashkent and Dushanbe over the proposed construction of vast new hydroelectric dams in Tajikistan fed into a tense situation on the border. On 22 March 2010, the Ministry of Foreign Affairs of Tajikistan presented a note of protest to the Ambassador of Uzbekistan in Dushanbe complaining of interruptions in railway cargo headed for Tajikistan across the Uzbek border. Tajikistan's Prime Minister Akil Akilov then complained to the international community about the situation on the Tajik-Uzbek border during his visit to the UN headquarters in New York and to the UN Secretary General Ban Ki-Moon during the latter's official visit to Tajikistan, requesting help to resolve the tensions between the two countries.

Despite the creation of border commissions, over a decade later, large sections of the borders in the Fergana Valley remain to be delimited. Problems over disputed settlements are only slowly being resolved. Thus, it was only in early September 2010 that families

from a disputed area along the the Kyrgyzstan - Uzbekistan border finally received land to build houses in a nearby village in Kyrgyzstan. The mostly ethnic Uzbek families left the village of Chek earlier in the summer after Uzbekistan announced it was coming under its jurisdiction, electing to live in Kyrgyzstan. In this case, it was the availability of international assistance in connection with the violence in southern Kyrgyzstan in June 2010 that allowed the relocation to proceed.

Border Issues and Regional Instability

Finding ways to promote better managed and more open borders has been a priority for over a decade. Numerous regional and international efforts have been launched to address single issues or the whole complex of questions related to the region's border regimes.

Despite these efforts, to date there has been little progress in reversing the trend toward more rigid borders. Against the background of growing violence in the region, there seems a real prospect of increased measures to further separate the populations of the Fergana valley. Such steps, however, risk further aggravating the already fragile situation and contributing to the growing instability in the region.

Despite the creation of strict border regimes in the Fergana Valley, the region's overlapping borders are notoriously porous, portals for narcotics smugglers and—regional governments claim—Islamic insurgents. Further efforts to tighten the borders now seem inevitable given recent developments in Kyrgyzstan and Afghanistan. Experience suggests, however, that steps to strengthen borders tend to exacerbate regional tensions and promote cycles of instability.

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The possible impact of the EurasEC customs union on Kyrgyzstan

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Talaibek Koichumanov



Kyrgyzstan's economic situation would worsen considerably if the country loses access to its current duty-free supply of oil products and other raw materials from Russia and Kazakhstan.

© OSCE/Roel Janssens

The potential impact of the Eurasia Economic Community's (EurasEC) customs union, the customs code for which formally came into effect for Belarus, Kazakhstan, and the Russian Federation on 5 July 2010, has been widely discussed in Kyrgyzstan. Before drawing conclusions about the advantages and disadvantages of Kyrgyzstan's possible accession, two issues should be emphasized. First, this topic should be addressed from a purely pragmatic point of view, to draw analytical conclusions on the basis of specific economic indicators. Second, one should thoroughly examine the actual operation of the customs union. At this point, I agree with Muktar Djumaliev (deputy head of Kyrgyzstan's presidential administration) that at present the government of Kyrgyzstan cannot even negotiate with the customs union, because we do not know enough about it.

Kyrgyzstan's foreign trade policy is quite liberal in terms of customs duties; in 2009, the average import tariff was slightly over 5 percent. Practically no export duties are applied whatsoever. According to official statistics, Kyrgyzstan's foreign trade volume in 2009 was \$4.4 billion, of which imports constituted around \$3 billion (68 percent) and exports \$1.4 billion (32 percent). Customs union countries were responsible for 41 percent of Kyrgyzstan's trade volume (50 percent of imports and 23 percent of exports). Whereas the share of imports from these countries has been relatively stable, the share of exports purchased by customs union countries shows a noticeable downward trend. It should be emphasized, however, that official statistics do not give a full view of Kyrgyzstan's foreign

trade situation, because significant volumes of goods are imported under a simplified customs clearance scheme, which distorts reported import prices.

Customs union: Implications for members and non-members

What does the creation of the customs union mean for member countries? The supra-national Customs Union Commission was created in order to coordinate the activity of member countries. Decisions are made according to a simple majority of votes. These are distributed as follows: Russia—57 percent, Kazakhstan—21.5 percent, and Belarus—21.5 percent. Customs union revenues are to be divided as follows: Russia—87.7 percent, Kazakhstan—7 percent, and Belarus—5.3 percent. The single value added tax rate (which has not yet come into force) is set at 17 percent. This suggests that Russia has a preemptive position within the customs union. This may be because the size of these three economies are quite different: Kazakhstan's GDP in 2008 was only 8 percent of Russia's, while Belarus's was only 4 percent. This suggests that Russia's interests may prevail in the customs union's trade policies: some 92 percent of the common external tariff rates are based on Russia's tariff rates. In addition to protecting Russian producers from imports, this regime will give consumers in other customs union countries incentives to switch to Russian products.

Analyses conducted by the Asian Development Bank, the European Bank for Reconstruction and Development, and USAID indicate that, because of significant differences in economic structures, tariff rates in Kyrgyzstan and the customs union countries vary greatly. As the below table shows, Kyrgyzstan's tariff rates are concentrated in groups at which lower duties are applied. Moreover, in addition to these *ad valorem* rates, the customs union's common external tariff applies specific rates for 5.3 percent and combined rates for 2 percent of total imports. By contrast, Kyrgyzstan applies specific tariff rates for only 1 percent of total imports, and combined rates for 1.3 percent of imports.

These differences reflect *inter alia* Kyrgyzstan's membership in the World Trade Organization: upon its WTO accession Kyrgyzstan committed itself to maintain its average tariff rate at a reference level of about 7.7 percent. Moreover, were Kyrgyzstan to consider joining the customs union and adopting its (higher) common external tariff, it would have to coordinate this decision with other WTO members. [Editors note: none of the

customs union member countries have acceded to the WTO.] However, the value added tax rate on imports under the custom union's customs code will be 17 percent—which will also apply to imports from Kyrgyzstan (where the VAT rate is 12 percent).

Kyrgyzstan's accession to the customs union would imply the adoption of its common external tariff—the average value of which is 10.6 percent, compared to Kyrgyzstan's average customs tariff rate of 5.1 percent in 2009. Such a hike would significantly reduce Kyrgyzstan's trade with other countries, while increasing trade with Russia and other customs union members. In addition, Kyrgyzstan's average tariff rate does not reflect the considerable volume of imports from China carried out based on simplified customs clearance procedures with a very low rate.

Kyrgyzstan's Ministry of Economic Regulation has calculated that 34 percent of total imports face duties that coincide with those under the common external tariff. Some 21 percent of imports face duties that are roughly comparable to the common external tariff rates, while 43 percent do not coincide at all. Changes in these duties would need to be negotiated with the WTO, which could entail significant technical difficulties. Accession to the customs union could also reduce Kyrgyzstan's budget revenues and increase inflation. More generally, Kyrgyzstan would have to revise the basic directions of its trade policy to reflect the interests of bigger countries, primarily Russia. Favourable conditions for imports, including from China, would

Table 1 The share of imports falling under different tariff rates in the Kyrgyz Republic and the EurasEC customs union

Tariff rate (%)	0	5	10	12	15	20	30 (25)	Aver.
Share of imports falling under this tariff rate in Kyrgyzstan (%)	45.8	12.4	34.2	2.8	2.2	1.2	0.02	5.1
Share of imports falling under this tariff rate in customs union countries (%)*	12.5	29.9	20.5	1.5	23.5	7.2	2.1	10.6

* Under the customs union's common external tariff.

likewise be revised, significantly reducing the re-export of Chinese goods.

On the other hand, Kyrgyzstan's accession to the customs union could have a number of positive implications. These reflect the fact that Kyrgyzstani producers would obtain preferential access to the large regional market of the custom union countries, providing scale advantages for local companies. It would also make Kyrgyzstan more attractive for foreign investments, from Russia and Kazakhstan, and from non-customs union countries.

What happens if Kyrgyzstan does not join the customs union? This would depend in part on whether pre-existing bilateral and multilateral free trade agreements with these countries, which provide for most favourable nation (MFN) treatment for Kyrgyzstan's exports, will continue to be honoured. The possible revision of bilateral MFN agreements and of the 15 April 1994 agreement among member countries of the Commonwealth of Independent States (as amended as of 2 April 1999) could be quite serious in this regard. Moreover, Kyrgyzstan's economic situation would worsen considerably if the country loses access to its current duty-free supply of oil products and other raw materials from Russia and Kazakhstan. Non-accession could also slow Kyrgyzstan's integration into post-Soviet regional entities, such as EurasEC and the CIS. Much therefore depends on the government's negotiations with its main trade partners, Russia and Kazakhstan.

Possible recommendations

WTO membership does not automatically preclude membership in various customs unions, because the WTO's main goal is to reduce barriers to international trade. As such, the issues discussed here would become the subject of negotiations and consultations for the government of Kyrgyzstan. The country's most favourable option could therefore be in pursuit of a gradual, step-by-step accession in the customs union, as certain conditions would be met. One of these would be the eventual accession of Russia, Kazakhstan, and Belarus to the WTO—which, most probably, is a matter of time. These countries' WTO accession would facilitate the joint resolution of a number of issues associated with Kyrgyzstan's prospective customs union membership, such as compensation for increases in customs tariffs. Prior to the possible WTO accession of Russia, Kazakhstan, and Belarus, Kyrgyzstan could reasonably request observer status in the customs union. This would demonstrate good faith on the part of the Kyrgyz Republic, and minimize the risks (for Kyrgyzstan) associated with the customs union's creation. During this time, Kyrgyzstan should seek to boost investment from WTO countries, including from China, in order to make good use of its comparative trade advantages.

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Remediating cross-border environmental 'hot spots' in the Western Balkans

Snezana Dragojevic



Development prospects in parts of the Western Balkans are afflicted by environmental 'hot spots' virtually all of which were inherited from the socialist regimes that collapsed in the early 1990s. Because these hot spots are typically associated with industrial activities that are mainstays of local economies, the challenges of remediating these threats go beyond environmental policy, raising critical regional economic development issues. And because the ecosystems threatened by the hot spots often have trans-border dimensions, remediation can raise delicate questions of inter-state cooperation. In some instances, prospects for accession to the European Union are associated with addressing these hot spot challenges.

Governments in the Western Balkans, and the international development community, have therefore made hot spot remediation a key focus of environmental, crisis prevention, health, and regional development efforts. This article focuses on the current status of and lessons learned from remediation in 11 such hot spots, under the auspices of UNDP's Western Balkans Environmental Programme¹ (with financing from the Government of the Netherlands, as well as from the Western Balkan governments themselves). All 11 were identified as national environmental hot spot priorities due to their significant negative health and environmental impact, and because of the high risks of cross-border pollution they pose to the neighbouring states. In helping to remediate these hot spots,

In the early 1990s some 200-250 tonnes of hazardous chemicals were stored at the Bajza railway station. Since then 82 tonnes have been removed and the site has been declared 'clean'.

© UNDP in Albania

UNDP has provided governments and other stakeholders with international best practices, expertise, and neutral platforms for addressing cross-border issues of concern in a common manner. Remediation activities undertaken in these locations from September 2007 until September 2010 significantly

¹ www.westernbalkansenvironment.net

reduced environmental pollution, and improved living standards of people in those locations. Brief descriptions of the work done at six of these 11 hot spots are provided here.

West Balkan hot spots: Before and after

Mojkovac (northern Montenegro). The 'Brskovo' Lead and Zinc Mine operated during 1976-1991, extracting mostly zinc and lead. While mining activities largely halted following the collapse of socialist Yugoslavia, some 2 million cubic metres of toxic materials (mostly liquefied lead- and zinc-contaminated tailings) were left inside the site's 19-hectare mine tailings impoundment, lying between the western edge of the Mojkovac municipality and the right bank of the Tara river. The Tara and its gorges, which cut the longest river canyon in Europe and the second longest in the world (after the Grand Canyon), belong to the Durmitor national park, which is an internationally protected biosphere site and is included in the UNESCO World Heritage List. In addition to threatening local biodiversity and eco-tourism, a possible rupture of the Mojkovac tailings facility could generate a large-scale toxic discharge that would enter into the Drina and Danube rivers, potentially threatening the entire Black Sea basin.

With support from UNDP's Western Balkans Environmental Programme, the tailings impoundment has been drained, and some 500,000 cubic metres of liquefied lead- and zinc-contaminated tailings inside the impoundment have been treated. As a result, 19 hectares of land suitable for other uses have been created on the now remediated site. A 5,500-person equivalent municipal wastewater treatment plant has also been constructed, reducing organic waste discharges into the Tara river. After remediation activities and the investment of some \$11 million by donors and the government,

Mojkovac is no longer one of Montenegro's most polluted cities. It is instead increasingly identified as a northern Montenegrin town with growing income- and employment generation potential in eco-tourism,² organic farming, and other sectors.

Tuzla (Bosnia and Herzegovina). Prior to the 1992-1995 conflict that engulfed Bosnia and Herzegovina, the regional economy around the city of Tuzla was based on the extraction and processing of coal, minerals, metals, and chemicals, and on electricity generation. Before the war, employment in these sectors in and around Tuzla numbered 60,000. While production fell sharply during the early 1990s, the post-war economic recovery has seen a rebound in industrial activity in Tuzla—as well as in pollution.³ Air pollution is further worsened through the widespread use of small boilers and furnaces with unsuitable combustion chambers, often produced on West European licenses but constructed for different types of coals. Problems are further exacerbated by inadequate information concerning the use of coal for residential and small-scale heating, the lack of coal conditioning for the needs of small furnaces, and poor maintenance of energy sector equipment.

As a result, the Tuzla municipality and its environs are today considered one of Bosnia and Herzegovina's most polluted areas. This is particularly the case for air pollution: due to winter-time emissions from coal-fired power plants, industrial heat production and individual heating systems, sulphur dioxide levels can be three to four times maximum allowable concentrations. The 320,000 tonnes of sulphur dioxide emitted annually from the Tuzla canton constitute over 70 percent of Bosnia and Herzegovina's total SO₂ emissions. These emissions, which cause acid rain and other forms of environmental damage, can be transported over thousands of kilometres, making Bosnia and Herzegovina a net exporter of sulphur dioxide to surrounding countries.

With support from UNDP's Western Balkans Environmental Programme, obsolete coal-fired thermal generation facilities have been replaced at the Gradina and Slavonovic health clinics. Some 650 households in the Dragodol community are now connected to a cleaner district heating system. These changes are expected to reduce harmful air emissions in the city core by an estimated 500 tonnes of sulphur and nitrogen oxides per heating season, as well as reduce annual carbon dioxide emissions by 16,730 tonnes and coal use by 7,500 tonnes/year. The annual anticipated savings of \$550,000 should help these activities pay for themselves in four years.

The Grand Backa Canal (northern Serbia). Also known as the Danube-Tisza-Danube Canal, this was built in the 18th century, for transport and water supply purposes, and to drain the wet and fertile soils of the Backa district of Vojvodina (in northern Serbia). It connects the Danube in the west with the Tisza in the east, running along a 130 km stretch. In the 20th century, the eighteen kilometre-long area between the towns of Crvenka, Kula and Vrbas on the banks of the canal became heavily industrialized; at present, it has a population of 57,000 people. Over time the canal became increasingly polluted; in the worst stretch around Vrbas, the canal has become more or less filled with industrial sludge from pig farms, slaughterhouses, edible oil factories, metal processing and untreated sewerage. An estimated 400,000 cubic metres of highly contaminated

2 See, for example, [http://en.wikipedia.org/wiki/Tara_\(Drina\)#River_Rafting](http://en.wikipedia.org/wiki/Tara_(Drina)#River_Rafting) (accessed on 3 September 2010).

3 For example, electric power generation increased from 750 GWh in 1996 to 2,855 GWh in 2004, some 77-80 percent of pre-conflict levels.

sludge is contained within the six kilometres of the canal running through Vrbas municipality. Some 30,000 litres of mostly untreated wastewater enter the canal each day, with the three towns accounting for about a third of this. Most of the canal within a five kilometre radius of the factories is almost biologically dead. As a result, this six-kilometre section of the canal running through Vrbas is considered one of Europe's most polluted water courses.⁴ Water quality is essentially that of sewage, presenting health risks from coliform, e-coli, and enterococcus bacteria, and from viruses. The high nitrate levels can also cause 'blue baby' syndrome.

With donor support, the Government of Serbia has developed a \$50 million investment programme to clean up the canal. Within the framework of this programme, UNDP has supported the construction of a new \$3.7 million water network capturing wastes from in Vrbas and Kula, and over twenty industrial enterprises. The construction of this network should make possible additional investments to further reduce wastewater discharges into the canal by some 30,000 cubic metres per day, and subsequently the remediation of 400,000 cubic metres of polluted sludge.

Zarkov Potok (northern Kosovo)⁵. Considerable data indicate that air and water pollution from past and current mining activities in Zarkov Potok (and other parts of Stari Trg, including the Trepca mining complex) make a significant contribution to the heavy metal contamination of the town of Mitrovica in northern Kosovo and its surroundings. This impact is particularly evident in the Roma camps near Trepca, where blood lead levels in children closest to the point sources of pollution have been measured at extremely dangerous levels.⁶ The 23-hectare Zarkov Potok tailings dam, with its dry tailings beaches forming an elevated mound on top of the tailings dam wall, is perched above Mitrovica—representing a clear point source for airborne heavy metal contamination. In fact, severe scouring and channel marks from the wind are apparent on the heaped tailings, where concentrations of heavy metals exceed international norms by between 67 and 290 times for arsenic, 16-51 times for cadmium, and 5-13 times for lead.

Remediation work at Zarkov Potok by UNDP has therefore focused on dust prevention and tailings stabilization to stop this source of airborne heavy metal pollution. The tailings mound has been covered with a 50 centimetre earthen cap, and uncontaminated surface soil has been stabilized by planting new vegetation. However, testing conducted in June 2010 shows the uncovered portions of the dam remain with very high concentrations of heavy metals, which will require similar remediation in the future. In light of numerous other sources of toxic tailings and mine wastes in the vicinity of Mitrovica, significantly greater funds (beyond the \$210,000 provided by the Government of Netherlands that financed the above work) will be needed to completely remediate these hot spots. In the interim, UNDP's public awareness raising campaign has focused on 'living with lead'—that is, helping local communities to minimize or avoid the risks of lead poisoning.

Bajza (northern Albania). Bajza is a small town in northern Albania, located about 25 kilometres from the city of Shkodra and two kilometres from the Montenegrin border. The railway station of Bajza is located on the shore of the border, straddling Lake Shkodra. All rail transportation to and from Montenegro passes through Bajza railway station and its customs facility, where approximately 10,000 tonnes of freight are handled each month.

In the early 1990s an estimated 200-250 tonnes of expired pesticides and other hazardous chemicals were put together in one of the storage houses of the Bajza railway station. While the origin of the chemicals remain unclear, it is known that the German company Schmidt-Cretan during 1991-1992 imported and temporarily stored in Bajza 480 tonnes of hazardous chemicals, including toxaphene and phenyl mercury acetate, both of which have been banned in the EU since 1983. Although most of these pesticides were returned to Germany in 1993 for safe disposal, local inhabitants in the interim took some of the barrels, in the process emptying toxic chemicals directly in the railway station and storehouses. It was also reported that several sheep that had grazed around the storehouse and downhill from the railway station died after the incident took place. Moreover, in subsequent years fishermen on Lake Shkodra reported masses of dead fish in the lake.

Site visits conducted in 2008 revealed that the bags of chemicals stored at the site had been torn open, and their contents mixed with small pieces of leather that are stored in the same warehouses. Although the leather had likewise been stored for many years for intended export to Hungary (as a raw material for glue making), it had clearly been contaminated beyond re-use and needed safe disposal—together with the rest of the chemicals. The site visits also indicated that the railroad station's storage area should undergo immediate and strict decontamination, to avoid the leakage of toxic chemicals into Lake Shkodra. At risk was not only the lake, but also the Bojana/Buna river, which flows into the Adriatic.

4 For more on this, see Strengthening Capacities in the Western Balkans Countries to Mitigate Environmental Problems Through Remediation of High Priority Hot Spots, UNDP-Montenegro, September 2007.

5 Hereafter referred to in the context of the UN Security Council Resolution 1244 (1999).

6 The US Center for Disease Control has introduced emergency chelation therapy to reduce blood lead level in the most severely affected children. The World Health Organisation (WHO) and national public health institutes have also been deeply involved.

Since 2008, \$350,000 in remediation efforts at Bajza organized by UNDP (and financed by the governments of the Netherlands and Albania) have removed some 82 tonnes of chemical waste from the site, which has now been verified as 'clean'.

Bucim (the Former Yugoslav Republic of Macedonia). The Bucim Mine is located in the municipality of Radovis, in the southeastern part of the former Yugoslav Republic of Macedonia. Operated as a state-owned copper mine during 1979-2001, the mine has since then engaged in intermittent operations under private (chiefly foreign) ownership. The 110 million tonnes of waste rock generated during more than two decades of mining, which are stored on 153 hectares of land, have produced significant quantities of acid drainage. While some of this drainage empties into the retaining Lake Bucim, an estimated 5-20 litres per second of acidic drainage (with a pH of approximately 3.4 and a copper concentration of some 400mg/l) evades this collection system and travels 890 metres along Jasenov Dol into the Topolnicka river. This introduces a very dangerous source of pollution for water users along the river (the population of Radovis alone is 50,000), as well as along the Lakavica and Bregalnica rivers (into which the Topolnicka flows). These polluted waters are nonetheless the main irrigation sources in the eastern-central part of the country. Crops and livestock that depend on these waters are threatened by heavy metals that can cause food poisoning, allergic, and carcinogenic reactions. Via the Topolnicka river, the Bucim Mine may also contribute to cross-border pollution in Bulgaria and Greece, and ultimately the Aegean Sea, via inflows into the Nivicanska, Strumica, Struma, and Bregalnica rivers.

Remediation activities under UNDP's Western Balkans Environmental Programme have been two-fold. The first part involved capturing the contaminated waters through diversion of clean waters, and the construction of 2.2 kilometres of piping, two pumping stations and dams to collect and pump the 946,000 cubic metres per year of contaminated drainage waters. The second part involved controlling the mine dust, particularly from the 39 hectare tailings dam by installing reservoirs, pump systems and sprinklers for the non-vegetated parts of the tailings dam face. Longer term, the re-vegetation of approximately 30 hectares of the stabilized tailings dam is to further reduce movement of toxic dust. Altogether, these activities cost some € 1.4 million.

Lessons learned

Financing for the activities conducted under UNDP's Western Balkans Environmental Programme has amounted to some \$20 million. The Government of the Netherlands has provided \$14 million, while some \$6 million has been provided by the countries/territories themselves. Remediation has been accompanied by efforts to encourage public participation in environmental decision making, via a series of assessments, trainings, study tours, and awareness raising campaigns. Wherever possible, emphasis has also been placed on creating new employment and income-generation opportunities for people living in the vicinity of the hot spots—to encourage them to stay on their land and use it in a sustainable way. Eco-tourism, kayaking (e.g. in Mojkovac, along the Tara river), organic farming, and energy efficiency investments have been supported under this programme.

The approach of combining investments in hot spot remediation with institutional development, public awareness-raising, and cross-border dialogue and information sharing has helped improve relations between neighbouring countries, creating new development opportunities, and consequently improving living standards in the Western Balkans. However, many questions about making financing for hot-spot remediation in the Western Balkans more sustainable and effective remain open.

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Cross-border cooperation in the Western Balkans: roadblocks and prospects

Jens Bastian



Regional development and cross-border cooperation in the Western Balkans is one of the key areas of intervention by multilateral international institutions such as the European Union, the World Bank, UNDP, Council of Europe and EBRD (European Bank for Reconstruction and Development). To illustrate, in order to reinforce cooperation with countries bordering the European Union, the European Neighbourhood and Partnership Instrument (ENPI) includes a component specifically targeted at cross-border cooperation (CBC). Some 15 CBC programmes (9 land borders, 3 sea crossings and 3 sea basin programmes) have been established along the Eastern and Southern external borders of the European Union with a total funding of €1.2 billion for 2007-2013.

A wall separating Babin Most, a Serbian village on the road from Pristina to Mitrovica. Recent incidents in Mitrovica, which is divided between Serbs and Kosovars, underscore the fragility of prospects for cross-border cooperation.

© Andrew Testa/Panos Pictures

The regions which benefit from CBC have a total population, on both sides of the EU borders, of some 257.5 million citizens—of which 45 percent live in the Northern and Eastern border regions, and 55 percent in the Southern border regions—49 percent in the EU border regions, and 51 percent in the border regions of the partner countries.

The nature of funding programmes earmarked towards CBC underline the objective of long-term sustainability. This involvement and multi-level commitment by the in-

Table 1 Population in the Border Regions in Europe (millions, 2009)

	EU Regions*	Partner Regions	Total
Northern & Eastern Borders	47.5	67.3	114.8
Southern Borders	78.3	64.3	142.7
Total EU Borders	125.9	131.6	257.5

* This includes nine land borders, three sea crossings and three sea basin programmes.

ternational community is a key driver of regional development and cross-border cooperation in the Western Balkans. It is gradually making progress, albeit from a rather low point of departure given the wars and ethnic conflicts of the 1990s.

Regional ownership – the Regional Cooperation Council (RCC)

The *Regional Cooperation Council (RCC)*,¹ established in 2008 and located in Sarajevo, is the most visible sign of new institutional capacity to advance regional as well as local ownership of the policy process. The hope is that regional cooperation in the Balkans can also be delivered by those who are expected to practice and benefit from it. The RCC promotes mutual cooperation and European and Euro-Atlantic integration in Southeast Europe. It focuses on six priority areas: economic and social development, energy and infrastructure, justice and home affairs, security cooperation, building human capital, and parliamentary cooperation. In operational terms, the Heads of State and Government of the Southeast European Cooperation Process (SEECP) (including Greece, Turkey, the western and Eastern Balkans and Black Sea countries) provide the political backing for the RCC's annual work programme, while the European Commission provides most of the funding. The key aim is to generate and coordinate developmental projects and create a political climate amenable to implementing projects of a wider, regional character, to the benefit of each individual member.

1 The RCC is the successor of the Stability Pact for Southeast Europe. While its secretariat is located in Sarajevo, the RCC also has a liaison office in Brussels. The Secretary General of the Regional Cooperation Council is Hido Biscevic. For further information consult <http://www.rcc.int/>.

2 EIB is the financing institutions of the European Union. It has provided in excess of €4.5 billion in loan finance to the region of the Western Balkans during the past five years.

3 Hereafter referred to in the context of the UN Security Council Resolution 1244 (1999).

4 IPA regulations (Component II as defined in Article 91 of Implementing Regulations) stipulate that a participating country must be fully capable of assuming the financial, administrative and regulatory responsibilities of carrying out such bilateral projects.

Regional development and cross-border cooperation in the EU context

CBC in the EU context uses an approach largely modelled on structural fund principles such as multi-year programming, partnerships, and co-financing, adapted to take into account the specificities of the European Commission's external rules and regulations. One major innovation of the ENPI CBC can be seen in the fact that the programmes involving regions on both sides of the EU border share a single budget, common management structures, and a common legal framework and implementation rules, helping to balance partnerships between the participating countries.

The European Commission also promotes cross-border cooperation and bilateral development in the Western Balkans through the *Instrument for Pre-Accession (IPA)* financial assistance tool. This instrument is operational since 2008 and currently applies to all countries in Southeast Europe seeking membership in the European Union. Annual programmes are implemented in cooperation with the international donor community and co-managed with local representatives from the beneficiary countries.

To illustrate the *modus operandi* of IPA, consider the Annual Programme for Montenegro in 2009/10 with regard to cross-border cooperation. In the priority axis 2, the so-called economic criteria, the EU Delegation in Podgorica awarded €5 million for the rehabilitation of the main rail line *Bar-Vrbnica*, to the border with Serbia. The beneficiaries of this project are the Ministries of Transport and Telecommunications in both countries as well as the respective railways companies. Given that such transport infrastructure investments require considerable financial resources which the recipient countries do not possess by themselves, the multi-year project is being co-financed with supplementary loans from the European Investment Bank and EBRD totalling €10 million.²

A further project illustration in the Commission's IPA programming cycle for 2009/10 concerns joint cross-border programmes between Montenegro, Albania and Kosovo³ in the Kukes region. The rehabilitation and improvement of border crossing infrastructure in Morine in the Kukes region bordering Albania and Kosovo has a total budget of €0.46 million in 2009/10. In comparison to the previous example, the sums are small, largely because many implementing regulations are absent in Kosovo. At present, EU CBC programming involving Kosovo's cooperation with neighbouring countries is being hampered by the ongoing limitations of the international recognition process.⁴ These limitations suggest that regional disparities may in fact be cemented despite cross-border cooperation seeking to reduce such differences.

A further example underlining the importance of and challenges to regional development and cross-border cooperation in the Western Balkans concerns minority rights and protection. Most countries in the region continue to have refugees and displaced persons from the wars of the 1990s.

Table 2 CBC Assistance Provided by the EU in the IPA Framework 2007-2013

In Mil. €	2007	2008	2009	2010	2011	2012	2013
Croatia	9.7	14.7	15.9	15.6	15.8	16.1	16.7
Macedonia	4.1	4.0	4.3	5.0	5.1	5.2	5.2
Turkey	2.1	2.8	3.4	9.5	9.7	9.9	10.1
Albania	6.6	8.5	9.8	9.9	10.1	10.2	10.6
Bosnia and Herzegovina	3.9	4.9	5.2	4.7	4.7	4.8	4.9
Montenegro	3.9	4.5	4.6	4.2	4.3	4.3	4.4
Serbia	8.2	11.4	12.2	11.7	11.9	12.1	11.6
Kosovo	0	0	0	2.8	2.8	2.9	2.9

Source: Communication from The Commission, IPA 2011-2013, Com (2009) 543, 14th October 2009.

In Montenegro, for example, the authorities in Podgorica still need to resolve the status of approximately 16,200 refugees from Kosovo.⁵ Cross-border cooperation between Montenegro and Kosovo in this delicate area needs to address such issues as:

- The legal status of refugees and displaced persons (e.g., concerning access to employment for foreigners);
- Construction of accommodation for Roma refugees from Kosovo;
- Of particular concern is the situation of the Konnik refugee camp close to Podgorica;⁶
- Creating legal conditions for the integration of those refugees and displaced persons who wish to remain in Montenegro and acquire Montenegrin citizenship by naturalization;
- The capacity of Kosovo to absorb and re-integrate refugees from neighbouring countries in terms of housing, labour market participation and educational infrastructure.⁷

But while Montenegro and Kosovo may seek to jointly resolve some of these challenges, outstanding issues with neighbouring Serbia can obstruct such bilateral initiatives. Relations with Serbia continue to be disrupted by the Montenegrin decision to recognize Kosovo's independence. The Montenegrin Ambassador in Belgrade was declared *persona non grata* in October 2008. A new Ambassador was only accredited to Belgrade in September 2009, almost a year later.

Cross-border cooperation – two encouraging examples from the field

Incremental functional cooperation is taking place on the ground in selected policy-making fields. There are specific examples from the region where cross-border cooperation among countries is starting to manifest itself *without* primarily being driven by considerations of future political rewards from the European Union. The joint decision by

5 For a country totalling roughly 610,000 inhabitants (Montenegro), this is a rather high ratio of refugees. More than 5,600 refugees from Croatia and Bosnia and Herzegovina also reside in Montenegro.

6 It is the single largest refugee camp, has received considerable media attention inside and outside the country as well as being identified by the European Commission as a test case for the Montenegrin authorities to identify sustainable solutions according to EU standards.

7 The so-called Sarajevo Declaration process, which aims to finalize refugee returns in the Western Balkans since 2006 is only making limited progress. While participating countries are working on their respective roadmaps, there has been limited discussion of implementation issues on either a bilateral or a regional basis.

three former Yugoslav republics in August 2010 to form a common railway company aimed at winning back some of the Central European freight business lost during the wars of the 1990s is a case in point.

The commercial objective of the joint enterprise is to ensure rapid freight service along the so-called *Corridor X*, which links Germany and Austria with Turkey. To date, such transport infrastructure investments had largely by-passed potential rail corridors in the former Yugoslavia, due to a lack of political will to identify actionable projects in this dimension of cross-border cooperation.⁸

A second encouraging example concerns bilateral relations with other countries seeking EU integration. For instance, Montenegro signed an agreement with Albania on cooperation in science, technology and culture in 2009. Concrete steps in such areas as joint border patrols and information exchange against organized crime are taking place. Moreover, Montenegro established a joint working group with Croatian counterparties on resolving property issues and a council on economic relations is holding regular meetings.

Even defence cooperation and joint border police training activities are taking place between countries that a decade ago were at war with each other, while negotiations on agreements in social security are ongoing between various countries in the Western Balkans.

Prospects for cross-border cooperation

Possibly the most important arena for and challenge to cross-border cooperation in the Western Balkans concerns political and institutional arrangements between Serbia and Kosovo. The former refuses to recognize the latter as an independent sovereign state and therefore does not acknowledge the legitimacy of its borders. Meanwhile, the latter itself is having difficulties convincing its own ethnic Albanian population that cross-border cooperation with Serbia may be in its own best interest, in order to advance the international recognition process for Kosovo.⁹

A recent incident in the city of Mitrovica which is ethnically divided between Serbs and Kosovars highlighted the delicacy of the situation and the magnitude of the tasks facing Serbia and Kosovo and the 2,000 strong European Union police mission stationed in Kosovo. In mid-September a French police officer was shot and wounded during clashes between ethnic Albanians and Serbs who pelted each other with stones at the foot of the bridge over the river Ibar that separates the two communities. These clashes occurred after Turkey defeated Serbia in the semi-finals of the world basketball championship.

The clashes underscore the deep divide that runs between both communities more than a decade after the end of the Kosovo war in 1999. It is in cities such as Mitrovica that the feasibility of regional development and cross-border cooperation is most acutely tested in the Western Balkans. Cross-border cooperation is making headway in the field of economic inter-change and public-private investments by the EU, the EBRD and the World Bank. However, it appears that business-related initiatives are primarily driving such regional cooperation. Meanwhile politics and implementation capacity have yet to live up to the specific policies being advocated by the European Union, the Regional Cooperation Council, and other international organizations.

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⁸ Instead during the past 20 years such rail corridors had been going through Hungary and Romania.

⁹ Until September 2010 only 70 countries had officially recognized Kosovo, chief among them the United States and 22 of the 27 members of the European Union. But Serbia, Russia, China, Romania, Slovakia, Cyprus, Greece and Spain have not recognized the sovereignty of Kosovo.

EU cohesion policy: lessons for wider Europe?



The European Union's cohesion policy has become one of the premier policies managed at the European level along with the Single Market, competition policy, and agricultural policy. The policy is currently financed to the tune of €345 billion. In the past the policy has provided the resources necessary to kick-start the process of socio-economic development and convergence of the less-developed countries and regions towards levels of well-being enjoyed by other EU Member States. Ever since 1981 when Greece joined the then European Economic Community (EEC), most of the new Member States (aside from the 1996 accession that brought in Sweden, Finland, and Austria) have come from southern Europe (Portugal, Spain, Malta and Cyprus) or Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovakia and Slovenia). All 14 of these countries entered the EU with per-capita income levels below the European average. They had centralized national decision-making and implementation structures, and had little or no experience with regional development policies. The new Member States therefore needed significant financial resources to upgrade their infrastructure networks, skill base and productive capacity in order to take advantage of the single European market.

Drawing a lesson from EU experience? A boat patrolling the border between Ukraine and Moldova.

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The lessons that can be learned from the experience of the new member states in dealing with cohesion policy can be useful for the countries along the EU's southern and eastern borders who are involved in the EU's European Neighbourhood Policy or accession processes. The first lesson to be learned is the need to be able to effectively engage in collective decision-making. The EU does not project a single executive but rather many types of executive structures, from the European Commission to the European Council. This is true for countries dealing with the decision-making structures within the EU as well as for those interacting with the EU from the outside. For the last 12 countries that entered the EU during the last six years, accession brought with it the need to establish a working relationship with other Member States in order to fully participate in collective decision-making at the European level. In addition, they had to become comfortable with implementation mechanisms where the management of policies was predicated on the role of the Commission as policy initiator and implementer.

The second lesson is that, in addition to engaging in collective decision-making procedures at European levels, member states have to be able to engage in or feel comfortable with the use of multi-level systems of governance in the coordination of implementation of EU policies. In relation to cohesion policy, the rules and financial provisions are determined at the European level while the responsibility for day-to-day implementation, monitoring of expenditures and evaluation of programmes remains at the national and regional levels. In other words, the policy for regional development is not a national but rather a European policy. Therefore, the policy cannot be based only on a 'two-level game' bringing together the national and European levels in the management of the policy. Instead, cohesion policy from its beginning in 1989 has been based on a system of multi-level governance involving European, national and sub-national governments and administrative structures. Participation in the policy process is also foreseen for representatives of socio-economic groups drawn from civil society.

The third lesson is that development programmes financed by the European Commission represent legally binding contracts between the managing authorities at the national and regional levels responsible for the delivery of the programme, and the European Commission, within the foreseen time parameter established by the policy. The rules are strict and homogenous for all countries participating in the policy. In cases of non-compliance, a system of financial sanctions may be invoked. This system of sanctions has been very effective in raising the level of compliance and reducing the graft and corruption in the use of the funds below what is present in other national policies.

The fourth lesson to be learned from the experience of Central and Eastern Europe is that large member states need to divide their country into regions for the purpose of creating planning institutions at the sub-national level to administer the regional operational programmes. In the case of Bulgaria that requirement had not been met by the beginning of 2007, and therefore the amount of money allocated to the country was reduced and the control mechanisms set up by the Commission were more stringent than was the case in other countries. In many of the new Member States the need to create institutions with the necessary planning and implementation capacity at the sub-national level was quite a challenge. So was the need to restructure national administrative systems to engage in a system of multi-level governance and carry out economic programming over the seven-year EU budgetary cycle.

A fifth lesson is the need to carry out programme evaluations. The administration of cohesion policy introduces the necessity to engage in policy evaluation as an integral part of programme implementation. During the policy cycle—that is, at the beginning, at midterm and at the end—the programme has to be evaluated in terms of its ability to reach its defined goals and to learn how the policy can be improved during the next budget/programming cycle.

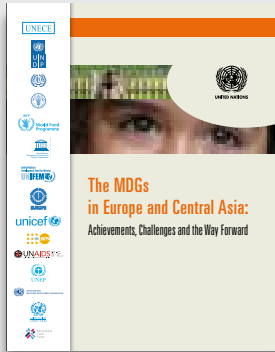
A sixth lesson that can be derived from cohesion policy is that cross-border cooperation programmes involve not only national governments, but also significant roles for local and regional authorities. It is the cohesion policy that introduced the experimentation of cross-border programmes, bringing together regions and local authorities in different Member States to implement a common development programme capable of taking advantage of existing local resources and promoting greater socio-economic interactions. Such programmes have been very useful in preparing the accession of new members into the EU, and have helped to eliminate impediments to the flow of goods, services, capital and people across-borders. The smooth transition to the elimination of the borders between Western and Central Europe in May 2004 was to a great extent prepared by the numerous cross-border programmes financed by INTERREG, the inter-regional cooperation programme first introduced in 1989 and extended through 2006. Cross-border cooperation is now an integral part of cohesion policy programmes, representing the third objective of cohesion policy (in addition to the competitiveness and convergence objectives for, respectively, more and less developed regions).

A final lesson to be learned is that cohesion policy has an integral part to play in developing a response to the economic and financial crisis that began in 2008. A considerable amount of the cohesion policy fund (60 percent) has been targeted toward the triple objectives of sustainable growth, increased competitiveness and job creation outlined in the Europe 2020 programme launched in March 2010. This new programme represents the continuation of the Lisbon Strategy initiated with the Lisbon Agenda in 2000 and renewed by the Lisbon II programme reformulated in 2005. As a consequence, the Lisbon Strategy and cohesion policy have come together to focus on the three objectives outline above, and this will be even more the case in future policy cycles.

The dual examples of the cohesion policy and Lisbon Strategy, along with the Single Market and the Single Currency programmes, point to an increasing level of 'Europeanization' in a variety of policy fields. In order to operate effectively in the Europeanized policy making system, countries need to develop the ability to participate in collective decision-making given that in at least some aspects of economic policy EU decisions are already based on majority voting. Future member states will also find that the Growth and Stability Pact limiting budget deficits and overall debt will be more strictly adhered to than has been the case in the past. But in compensation the European Union is in a much better position to shield the countries from the risks of financial default and currency crises. These are the lessons we have learned from the Greek sovereign debt crisis within the Euro and the speculative attacks against the Hungarian forint.

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Publications



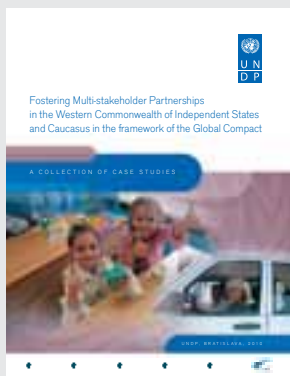
THE MDGS IN EUROPE AND CENTRAL ASIA: ACHIEVEMENTS, CHALLENGES AND THE WAY FORWARD

This report takes stock of progress made in reaching the Millennium Development Goals (MDGs) and offers decision makers policy-oriented, feasible suggestions for bolstering progress towards fully achieving these goals by 2015.



BOSNIA AND HERZEGOVINA MILLENNIUM DEVELOPMENT GOALS REPORT 2010

This report takes stock of Bosnia and Herzegovina's progress towards achieving the Millennium Development Goals (MDGs). It was prepared jointly by the Ministry of Finance and Treasury and the United Nations in Bosnia and Herzegovina.



THE UN GLOBAL COMPACT IN THE WESTERN CIS AND CAUCASUS: A COLLECTION OF CASE STUDIES

This publication features a collection of 10 case studies from four countries (Armenia, Belarus, Moldova and Ukraine). It shows that partnerships between governments and the private sector can contribute to national development goals.

Upcoming Events

Kapuscinski lectures

The second round of the Kapuscinski lectures organized by UNDP and the European Commission will take place during February – June 2011. Featured speakers include Jan Pronk, Francois Bourguignon and Jerzy Buzek. For more information please contact Jan Szczycinski (jan.szczycinski@undp.org).

Course on labour markets

'Creating Jobs in a Post-Crisis World: Labour Market Policy' is a two-week course organized by the World Bank that will be held from 28 March until 8 April 2011. The course identifies key labour market challenges within the context of overall poverty reduction and other economic and social development goals in developing and transition countries. Participants will also have the opportunity to present and discuss challenging labour market issues in their own country, and work towards solutions with other participants and experts. For more information please visit: <http://go.worldbank.org/ADWARG3IA0>.

EBRD annual meeting

The annual meeting of the European Bank for Reconstruction and Development (EBRD) will be held in Astana, Kazakhstan on 20-21 May 2011. The annual meeting provides a forum to assess the latest political, economic and social changes, as well as business opportunities, across the EBRD region. For further details please visit: http://www.ebrd.com/pages/news/events/am_astana.shtml.

The next issue of *Development and Transition* (17) will focus on:

Human capital (June 2011)

The editors welcome contributions.

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